

FISCAL NOTE

SB 1802 - HB 1296

February 28, 2007

SUMMARY OF BILL: Enacts a sales tax exemption for licensed wholesalers or retailers for sales occurring from a central warehouse or distribution point, instead of their principal place of business. Sales occurring from the principal place of business would remain taxable. Sales occurring from a central warehouse or distribution point would be exempt from sales tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - \$230,193,000 / General Fund
\$516,280,000 / Education Fund
\$36,423,000 / Earmarked to Local Govt.
\$2,914,000 / Department of Revenue
\$7,285,000 / Sinking Fund

Decrease Local Govt. Revenues - \$255,223,000

Assumptions:

- According to the Department of Revenue (DOR), taxpayers would have great incentive to shift larger portions of total sales from principal places of business to central warehouses and/or distribution points.
- According to DOR, all delivered sales would be considered sales tax exempt under this bill because it does not specifically define “central warehouse” or “distribution point.”
- Based from studies related to the Streamlined Sales Tax Agreement, approximately 11.1% of local sales tax collections are derived from delivered sales.
- State sales tax collections estimated to be \$7,145,000,000 in FY07-08.
- The decrease to state revenues is estimated to be \$793,095,000 per year ($\$7,145,000,000 \times 11.1\% = \$793,095,000$).
- \$793,095,000 in state sales tax collections would be apportioned as follows: \$230,193,000 to the General Fund, \$516,280,000 to the Education Fund, \$36,423,000 to local governments, \$2,914,000 to the Department of Revenue, and \$7,285,000 to the Sinking Fund.

- Local option sales tax collections are estimated to be \$1,971,400,000 in FY07-08.
- The decrease to local option sales tax revenue is estimated to be \$218,800,000 per year ($\$1,971,400,000 \times 11.1\% = \$218,825,400$).
- The net decrease to local government revenues is estimated to be \$255,223,000 per year ($\$218,800,000$ local option sales tax + $\$36,423,000$ state-shared sales tax = $\$255,223,000$).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director